

## **CASE STUDY #1**

### **ACQUISITION OF EQUIPMENT VIA PURCHASE ORDER WITH ADVANCE**

**Prepared By The  
Financial Management Domain**

**DRAFT: December 17, 2004**

*This document is one of a series of accounting case studies designed by the Financial Management Domain to ascertain whether entries required to record transactions are contained in DoD's Standard General Ledger transaction library. This version of the case, dated December 17, 2004, supersedes all previous versions. The transaction library is discussed in a separate document entitled "Concept of Operations for the DoD Standard General Ledger Transaction Library, based on the U.S. Government Standard General Ledger," draft version 2.0, which these cases accompany. As a useful cross-reference, the tables below each transaction in the case studies refer to DoD Transaction Codes used in the transaction library.*

## **NATURE OF THE CASE**

This is an accounting case study for a DoD entity that acquires equipment via a purchase order with an advance from a federal vendor. The purchase order is adjusted downward in Year 1, before the equipment is received, and the collection of the excess advance is made in Year 2. Annual appropriations in Year 1 are used as the financing source. Entries, in standard general journal form, using United States Government Standard General Ledger (USSGL) accounts, include:

- Realization of appropriations.
- Apportionment, allotment, and commitment of funds.<sup>1</sup>
- Obligation for acquisition.
- Downward adjustment of the obligation for acquisition.
- Receipt, accrual, and payment for the equipment.
- Closing entries.

The case provides pre- and post-closing trial balances, and indicates relationship that can be expected among the budgetary and proprietary accounts involved. The following financial statements are issued, with crosswalks prepared for each:

- Statement of net cost.
- Statement of changes in net position.
- Statement of budgetary resources.
- Statement of financing.
- Balance sheet.

The case is designed primarily for an audience of accountants with knowledge of federal generally accepted accounting principles relating to budgetary and proprietary accounting for authority, which does not expire. Its purpose is to provide a benchmark against which

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<sup>1</sup> Commitment accounting is less useful for credit program transactions than it might be for, say, transactions in a working capital fund. However, in order not to make special rules exempting the transactions, commitments and obligations in the form of undelivered orders are placed simultaneously in the illustrations.

to test the transactions and reporting modules of an accounting system to see if they result in essentially the same journal entries, trial balances, and financial statements.

Some caveats and additional remarks:

- Transactions are summarized for the year, and generally are illustrated only once. In practice, of course, they would occur numerous times.
- Account titles used with the transactions may contain abbreviated titles or titles that more clearly identify how the accounts are used.
- Small numbers are used to facilitate reading and comprehension. All amounts should be considered material.
- While the case illustrates a number of common transactions, there is no intent or claim to provide for every possible transaction or variation of transactions. Accordingly, while relationships between and among account balances are as indicated in the case, the formulas for the relationships could be more complex if additional transactions were included.
- Unless stated otherwise, the transactions reflect business rules established such that (1) there must be a commitment before an undelivered order, (2) there must be an undelivered order before a payable; and (3) there must be a payable before a disbursement.

The sections of the case follow in this order:

- Accounts used
- Relationships among accounts in the opening trial balances
- Transactions for Year 1
- Pre-closing trial balances for Year 1
- Relationships among accounts in the pre-closing trial balances for Year 1
- Closing entries for Year 1
- Post-closing trial balances for Year 1
- Relationships among accounts in the post-closing trial balances for Year 1
- Financial statements for Year 1.
- Transactions for Year 2
- Pre-closing trial balances for Year 2
- Relationships among accounts in the pre-closing trial balances for Year 2
- Closing entries for Year 2
- Post-closing trial balances for Year 2
- Relationships among accounts in the post-closing trial balances for Year 2
- Financial statements for Year 2.

Additional information is provided in footnote disclosures or notes within the body of the text throughout.

### **ACCOUNTS USED IN THE CASE**

Budgetary, proprietary, and memorandum accounts used in the case are set forth in the tables of this section.

#### **BUDGETARY ACCOUNTS USED IN THE CASE**

4119 Other Appropriations Realized  
4201 Total Actual Resources – Collected  
4287 Other Federal Receivables  
4450 Unapportioned Authority  
4510 Apportionments  
4610 Allotments – Realized Resources  
4630 Funds Not Available for Commitment/Obligation  
4650 Allotments – Expired Authority  
4700 Commitments  
4802 Undelivered Orders – Obligations, Prepaid/Advances  
4872 Downward Adjustments of Prior-Year Prepaid/Advanced  
    Undelivered Orders - Obligations, Refunds Collected  
4902 Delivered Orders – Obligations, Paid

#### **PROPRIETARY ACCOUNTS USED IN THE CASE**

1010 Fund Balance with Treasury  
1310 Accounts Receivable  
1450 Prepayments  
1750 Equipment  
2110 Accounts Payable  
3100 Unexpended Appropriations  
3101 Unexpended Appropriations – Appropriations Received  
3107 Unexpended Appropriations - Used  
5700 Expended Appropriations (Financing from Appropriations Used)

#### **MEMORANDUM ACCOUNTS USED IN THE CASE**

8801 Offset for Purchases of Capitalized Assets  
8802 Purchases of Capitalized Assets

## TRANSACTIONS—YEAR 1

### 1-1. The entity received a \$100 appropriation, which was to expire at year-end.

4119 Other Appropriations Realized	100	
4450 Unapportioned Authority		100
1010 Fund Balance with Treasury	100	
3101 Unexpended Appropriations – Appropriations Received		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A104	A104-017	4119	4450	1010	3101	100

### 1-2. OMB apportioned the full appropriation.

4450 Unapportioned Authority	100	
4510 Apportionments		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			100

### 1-3. The program entity allotted the funds.

4510 Apportionments	100	
4610 Allotments – Realized Resources		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			100

### 1-4. The program entity committed the funds to purchase equipment.

4610 Allotments – Realized Resources	100	
4700 Commitments – Programs Subject to Apportionment		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			100

**1-5. The program entity issued a purchase order for \$100 to a federal vendor to acquire equipment from the vendor, and provided a full advance.**

4700 Commitments – Programs Subject to Apportionment	100	
4802 Undelivered Orders – Obligations, Prepaid/Advances		100
 1450 Prepayments	 100	
1010 Fund Balance with Treasury		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B206	B206-006	4700	4802	1450	1010	100

**1-6. The program entity de-obligated \$5 of the purchase order above and accrued a receivable for the excess advance.<sup>2</sup>**

1310 Accounts Receivable	5	
1450 Prepayments		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C212	C212-027			1310	1450	5

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<sup>2</sup> While the fact that the vendor is federal would make it permissible to record a budgetary receivable as well as a proprietary one, DoD has a business rule related to a receivable for an overpayment which provides that budgetary authority will not be made available until the overpayment is collected.

### PRE-CLOSING TRIAL BALANCES—YEAR 1

Year 1 pre-closing trial balances are set forth below, with debits as positive numbers and credits in parentheses.

#### *Budgetary*

4119 Other Appropriations Realized	\$100
4201 Total Actual Resources – Collected	-0-
4450 Unapportioned Authority	-0-
4510 Apportionments	-0-
4610 Allotments – Realized Resources	-0-
4630 Funds Not Available for Commitment/Obligation	(0)
4700 Commitments	-0-
4802 Undelivered Orders with Advances	(100)
4902 Delivered Orders – Obligations, Paid	-0-

#### *Proprietary*

1010 Fund Balance with Treasury	\$ -0-
1310 Accounts Receivable	5
1450 Prepayments	95
1750 Equipment	-0-
2110 Accounts Payable	-0-
3100 Unexpended Appropriations - Cumulative	-0-
Unexpended Appropriations – Appropriation Received	(100)
3107 Unexpended Appropriations – Used	-0-
3310 Cumulative Results of Operations	-0-
5700 Financing from Appropriations Used	-0-

#### *Memorandum*

8801 Offset for Purchases of Capitalized Assets	\$ -0-
8802 Purchases of Capitalized Assets	-0-

### RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 1

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

- |   |
|---|
| <ol style="list-style-type: none"><li>1. <math>4201 + 4119 - 4802 - 4902 = 1010</math> [<math>\\$-0- + \\$100 - \\$100 - \\$-0- = \\$-0-</math>]</li><li>2. <math>4802 = 1310 + 1450</math> [<math>\\$5 + \\$95 = \\$100</math>]</li><li>3. <math>4902 = 3107 = 5700</math> [<math>\\$-0- = \\$-0- = \\$-0-</math>]</li></ol> |
|---|

## CLOSING ENTRIES—YEAR 1

Closing entries are set forth below.

### *Budgetary*

#### **PCB 1-1. To change the status of unobligated authority to expired authority.**

(There are no unobligated authority accounts to close. All have zero balances.)

#### **PCB 1-2. To consolidate the budgetary cash accounts into total actual resources - collected.**

4201 Total Actual Resources – Collected	100	
4119 Other Appropriations Realized		100

### *Proprietary*

#### **PCP 1-3. To consolidate accounts relating to unexpended appropriations.**

3101 Unexpended Appropriations – Appropriations Received	100	
3100 Unexpended Appropriations – Cumulative		100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F204	F204-040	4201	4119			100
F233	F233-001			3101	3100	100

### *Memorandum*

(There are no accounts to close; all have zero balances.)



## POST-CLOSING TRIAL BALANCES—YEAR 1

Year 1 post-closing trial balances are set forth below, with debits as positive numbers and credits in parentheses.

### *Budgetary*

4119 Other Appropriations Realized	\$ -0-
4201 Total Actual Resources – Collected	100
4450 Unapportioned Authority	-0-
4510 Apportionments	-0-
4610 Allotments – Realized Resources	-0-
4630 Funds Not Available for Commitment/Obligation	-0-
4650 Allotments – Expired Authority	(0)
4700 Commitments	-0-
4802 Undelivered Orders with Advances	(100)
4902 Delivered Orders – Obligations, Paid	-0-

### *Proprietary*

1010 Fund Balance with Treasury	\$ -0-
1310 Accounts Receivable	5
1450 Prepayments	95
1750 Equipment	-0-
2110 Accounts Payable	-0-
3100 Unexpended Appropriations - Cumulative	(100)
3101 Unexpended Appropriations – Appropriations Received	-0-
3107 Unexpended Appropriations – Used	-0-
3310 Cumulative Results of Operations	-0-
5700 Financing from Appropriations Used	-0-

### *Memorandum*

8801 Offset for Purchases of Capitalized Assets	\$ -0-
8802 Purchases of Capitalized Assets	-0-

## RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 1

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

- |  |
|--|
| <ol style="list-style-type: none"><li>1. <math>4201 - 4802 = 1010</math> [<math>\\$100 - \\$100 = \\$-0-</math>]</li><li>2. <math>4802 = 1310 + 1450</math> [<math>\\$100 = \\$5 + \\$95</math>]</li></ol> |
|--|

## FINANCIAL STATEMENTS – YEAR 1

The following condensed financial statements are illustrated for Year 1:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance).

### Statement of Net Cost For Fiscal Year 1

*There are no expenses or exchange revenues to report.*

### Statement of Changes in Net Position For Fiscal Year 1

		Crosswalk
<i>Cumulative Results of Operations:</i>		
Cumulative Results of Operations October 1	\$-0-	3310B
Appropriations Used	-0-	5700
Net Cost of Operations	<u>(-0-)</u>	From SNC
Cumulative Results of Operations September 30	<u>\$-0-</u>	Must = 3310E
<i>Unexpended Appropriations</i>		
Unexpended Appropriations October 1	\$ -0-	3100B
Appropriations Received	100	3101
Appropriations Used	<u>(-0-)</u>	3107
Unexpended Appropriations September 30	<u>\$ 100</u>	Must = 3100E

**Statement of Budgetary Resources  
For Fiscal Year 1**

**Crosswalk**

**RESOURCES**

Beginning Unobligated Balance	\$ -0-	4450B
<i>New Resources:</i>		
Annual Appropriations	<u>100</u>	4119
Total Resources	<u><u>\$100</u></u>	

**STATUS OF RESOURCES**

Obligated	\$100	48XX,4902/E-B
Unobligated—Unavailable for new obligations	<u>-0-</u>	4650E
Total Status of Resources	<u><u>\$100</u></u>	

**RELATIONSHIP OF OBLIGA-  
TIONS TO OUTLAYS**

Obligations	<u>\$100</u>	From Sec. 2
Components of Net Outlays		
Disbursements	\$100	4802,4802A,4902/E-B
Collections	<u>(-0-)</u> <u>\$100</u>	No Coll Accts

**Statement of Financing  
For Fiscal Year 1**

**Crosswalk  
SOBR, Sec 3**

Net Obligations (from statement of budgetary resources)	\$100	
Items in Net Obligations Not		
Funding Net Cost of Operations:		
Increase in Undelivered Orders	<u>(100)</u>	48XX,4902
Net Cost of Operations	<u><u>\$ -0-</u></u>	

**Balance Sheet**  
**At September 30, Fiscal Year 1**

**ASSETS**

Accounts Receivable

\$ 5

**Crosswalk**

1310

Prepayments

95

1450

TOTAL ASSETS

\$100

**LIABILITIES**

None

**NET POSITION**

Unexpended Appropriations

\$100

3100E

Cumulative Results of Operations

-0-

\$100

3310E

## TRANSACTIONS—YEAR 2

### 2-1. The program entity collected the excess advance from the vendor.

4872 Downward Adjustments of Prior year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected	5	5
4700 Commitments – Programs Subject to Apportionment		
4700 Commitments – Programs Subject to Apportionment	5	
4650 Allotments – Expired Authority		5
1010 Fund Balance with Treasury	5	
1310 Accounts Receivable		5

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C130	C130-007	4872	4700	1010	1310	5
C130	C130-008	4700	4650			5

### 2-2. The equipment was received and accepted, with a bill of \$95.

4802 Undelivered Orders – Obligations, Prepaid/Advances	95	
4902 Delivered Orders – Obligations, Paid		95
1750 Equipment	95	
1450 Prepayments		95
3107 Unexpended Appropriations – Used	95	
5700 Expended Appropriations		95
8802 Purchases of Capitalized Assets	95	
8801 Offset for Purchases of Capitalized Assets		95

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B404	B404-041	4802	4902	1750	1450	95
B134	B134-001			3107	5700	95
E202	E202-001			8802	8801	95

## PRE-CLOSING TRIAL BALANCES—YEAR 2

Year 2 pre-closing trial balances are set forth below, with debits as positive numbers and credits in parentheses.

### *Budgetary*

4119 Other Appropriations Realized	\$ -0-
4201 Total Actual Resources – Collected	100
4450 Unapportioned Authority	-0-
4510 Apportionments	-0-
4610 Allotments – Realized Resources	-0-
4650 Allotments – Expired Authority	(5)
4700 Commitments	-0-
4802 Undelivered Orders with Advances	(5)
4872 Downward Adjustments of Prior-Year Prepaid/Advanced	
Undelivered Orders - Obligations, Refunds Collected	5
4902 Delivered Orders – Obligations, Paid	(95)

### *Proprietary*

1010 Fund Balance with Treasury	\$ 5
1310 Accounts Receivable	-0-
1450 Prepayments	-0-
1750 Equipment	95
2110 Accounts Payable	-0-
3100 Unexpended Appropriations - Cumulative	(100)
3101 Unexpended Appropriations – Appropriations Received	-0-
3107 Unexpended Appropriations – Used	95
3310 Cumulative Results of Operations	-0-
5700 Financing from Appropriations Used	(95)

### *Memorandum*

8801 Offset for Purchases of Capitalized Assets	\$ (95)
8802 Purchases of Capitalized Assets	95

## RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES—YEAR 2

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

- |   |
|---|
| <ol style="list-style-type: none"><li>1. <math>4201 + 4119 - 4802 + 4872 - 4902 = 1010</math> [<math>\\$100 + \\$-0- - \\$-0- - \\$100 + \\$5 = \\$5</math>]</li><li>2. <math>4802 - 4872 = 1310 + 1450</math> [<math>\\$-0- - \\$0 = \\$-0- + \\$0</math>]</li><li>3. <math>4902 = 3107 = 5700</math> [<math>\\$95 = \\$95 = \\$95</math>]</li></ol> |
|---|

## CLOSING ENTRIES—YEAR 2

Closing entries are set forth below.

### *Budgetary*

#### **PCB 2-1. To change the status of unobligated authority to expired authority.**

Note: (There is no un-obligated authority other than expired authority. Therefore, no entry is required.)

#### **PCB 2-2. To consolidate the budgetary cash accounts into total actual resources - collected.**

4902 Delivered Orders – Obligations, Paid	95	
4201 Total Actual Resources – Collected		95

#### **PCB 2-3. To close 4872**

4802 Undelivered Orders – Obligations, Prepaid/Advanced	5	
4872 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected		5

### *Proprietary*

#### **PCP 2-1. To consolidate accounts relating to unexpended appropriations.**

3100 Unexpended Appropriations – Cumulative	95	
3101 Unexpended Appropriations – Appropriations Received		95

#### **PCP 2-2. To close financing sources into cumulative results of operations**

5700 Expended Appropriations	95	
3310 Cumulative Results of Operations		95

### *Memorandum*

8801 Offset for Purchases of Capitalized Assets	95	
8802 Purchases of Capitalized Assets		95

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			95
F228	F228-045			5700	3310	95
F233	F233-012			3100	3101	95
F255	F255-001			8801	8802	95
F222	F222-004	4802	4872			5

## POST-CLOSING TRIAL BALANCES—YEAR 2

Year 2 post-closing trial balances are set forth below, with debits as positive numbers and credits in parentheses.

### *Budgetary*

4119 Other Appropriations Realized	\$ -0-
4201 Total Actual Resources – Collected	5
4450 Unapportioned Authority	-0-
4510 Apportionments	-0-
4610 Allotments – Realized Resources	-0-
4650 Allotments – Expired Authority	(5)
4700 Commitments	-0-
4802 Undelivered Orders with Advances	-0-
4872 Downward Adjustments of Prior-Year Prepaid/Advanced	
Undelivered Orders - Obligations, Refunds Collected	-0-
4902 Delivered Orders – Obligations, Paid	-0-

### *Proprietary*

1010 Fund Balance with Treasury	\$ 5
1310 Accounts Receivable	-0-
1450 Prepayments	-0-
1750 Equipment	95
2110 Accounts Payable	-0-
3100 Unexpended Appropriations - Cumulative	(5)
3101 Unexpended Appropriations – Appropriations Received	-0-
3107 Unexpended Appropriations – Used	-0-
3310 Cumulative Results of Operations	(95)
5700 Financing from Appropriations Used	-0-

### *Memorandum*

8801 Offset for Purchases of Capitalized Assets	\$ -0-
8802 Purchases of Capitalized Assets	-0-

## RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES—YEAR 2

The following relationships exist between the pre-closing trial balances, in addition to the general requirement that the sum of debit balances must equal the sum of credit balances:

1.  $4201 - 4802 + 4872 = 1010$  [ $\$5 - \$-0- + \$0 = \$5$ ]
2.  $4802 = 1310 + 1450$  [ $\$-0- + \$0 = \$-0-$ ]



## FINANCIAL STATEMENTS – YEAR 2

The following condensed financial statements are illustrated for Year 2:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance).

### Statement of Net Cost For Fiscal Year 2

*There are no expenses or exchange revenues to report.*

### Statement of Changes in Net Position For Fiscal Year 2

		Crosswalk
<i>Cumulative Results of Operations:</i>		
Cumulative Results of Operations October 1	\$-0-	3310B
Appropriations Used	95	5700
Net Cost of Operations	<u>(-0-)</u>	From SNC
Cumulative Results of Operations September 30	<u>\$ 95</u>	Must = 3310E
<i>Unexpended Appropriations</i>		
Unexpended Appropriations October 1	\$100	3100B
Appropriations Received	-0-	3101
Appropriations Used	<u>(95)</u>	3107
Unexpended Appropriations September 30	<u>\$ 5</u>	Must = 3100E

**Statement of Budgetary Resources  
For Fiscal Year 2**

**Crosswalk**

**RESOURCES**

Beginning Unobligated Balance	\$ -0-	4650B
Collections of Overpayments	<u>5</u>	4872
Total Resources	<u>\$ 5</u>	

**STATUS OF RESOURCES**

Obligated	\$ -0-	4802E-B,4902
Unobligated—Unavailable for new obligations	<u>5</u>	4650E
Total Status of Resources	<u>\$ 5</u>	

**RELATIONSHIP OF OBLIGATIONS TO OUTLAYS**

Obligations	\$ -0-	From Sec. 2
Offsetting Collections Activity	<u>(5)</u>	From Sec. 1
Net Obligations	\$ (5)	
<i>Non-cash net obligations:</i>		
Decrease in federal receivables	<u>-0-</u>	4287E-B
Net Outlays	<u>\$ (5)</u>	
Components of Net Outlays		
Disbursements	\$ -0-	4802,4902/E-B
Collections	<u>( 5)</u> <u>\$ (5)</u>	4802AE-B

**Statement of Financing  
For Fiscal Year 2**

**Crosswalk  
SOBR, Sec 3**

Net Obligations (from statement of budgetary resources)	\$ -0-	
Items in Net Obligations Not Funding Net Cost of Operations:		
Decrease in Undelivered Orders	\$ 95	48XXE-B,4902
Acquisition of Equipment	<u>(95)</u> <u>-0-</u>	8802
Net Cost of Operations	<u>\$ -0-</u>	

**Balance Sheet**  
**At September 30, Fiscal Year 2**

**ASSETS**

Fund Balance with Treasury	\$ 5		<b>Crosswalk</b>
Equipment	<u>95</u>		1010
Total Assets	<u>\$100</u>		1750

**LIABILITIES**

None

**NET POSITION**

Unexpended Appropriations	\$ 5		3100E
Cumulative Results of Operations	<u>95</u>	<u>\$100</u>	3310E

\*\*\*\*\* *"This is the end of the case study."* \*\*\*\*\*